

TCS Financial Results

Quarter I FY 2017 - 18



July 13, 2017

Disclaimer

Certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to manage growth, intense competition among Indian and overseas IT services companies, various factors which may affect our cost advantage, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which TCS has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. TCS may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

Highlights



Q1 FY18 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **295,840 Mn**, **-0.2% QoQ** and **1.0% YoY**
- USD Revenue of \$ **4,591 Mn**, **3.1% QoQ** and **5.2% YoY**
- Constant currency revenue growth of **2.0%**, Volume growth of **3.5% QoQ**
- Digital Revenue at **18.9%** up **7.6% QoQ** and **26.0% YoY**

➤ Profit:

- Operating Income at ₹ **69,140 Mn**, Operating Margin of **23.4%**
- Net Income at ₹ **59,450 Mn**, \$ **923 Mn**, Net Margin of **20.1%**

➤ Demand:

- Clients \$100M+ up by 1, \$50M+ up by 1, \$10M+ up by 12

➤ People:

- Net addition of **-1,414** associates, closing headcount: **385,809**
- LTM attrition at **11.6%** in IT Services



Operational Parameters



Growth by Market

Geography (%)	Q1 FY17	Q4 FY17	Q1 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	53.5	53.3	52.5	1.7	3.5
Latin America	2.0	2.1	2.1	2.8	8.0
Europe					
UK	14.8	13.7	13.9	0.7	6.3
Continental Europe	11.5	11.8	12.5	5.9	16.5
India	6.2	6.8	7.0	1.5	13.3
Asia Pacific	9.6	9.7	9.5	1.2	4.7
MEA	2.4	2.6	2.5	0.7	8.9
Total	100.0	100.0	100.0	2.0	6.3



Growth by Domain

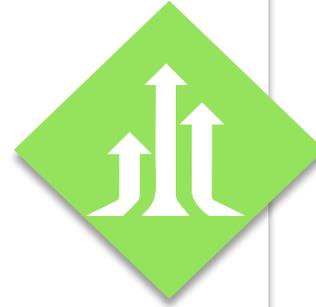
Vertical (%)	Q1 FY17	Q4 FY17	Q1 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	33.3	32.9	32.9	2.3	5.1
Retail & CPG	13.5	12.3	12.2	2.0	-3.4
Communication & Media	7.0	7.2	7.3	3.9	11.6
Manufacturing	7.3	7.4	7.5	3.8	10.2
Life Sciences & Healthcare	6.8	6.9	7.1	4.7	10.7
Energy & Utilities	3.6	3.7	4.0	7.6	20.3
Travel & Hospitality	3.2	3.4	3.5	7.0	16.5
Technology & Services	7.8	7.8	7.9	3.7	8.2
Regional Markets & Others	17.5	18.4	17.6	-3.6	5.5
Total	100.0	100.0	100.0	2.0	6.3
Digital Revenue (%)	15.9	17.9	18.9	7.6	26.0

For better visibility of trends in our core markets, the vertical break-up of revenues has been recast, extracting out volatile, project-centric businesses such as India, MEA, APAC ex-Australia and products and platforms into a separate line item



Service Line Update

- The reorganization of the service lines is nearing completion and expected to close in Q2.
- Some new service lines are maturing and will stabilize over the next few quarters.
- All the service lines are seeing good market traction, robust pipeline and secular growth.
- We were ranked as a Leader in 14 analyst surveys during the past quarter.
- Our transformation engagements are driving strong customer satisfaction.



Cognitive Business Operations

Over 5 % Q-o-Q growth, led by Digital transformations for the Enterprise Processes, Cloud adoption, Regulatory Compliance and TCS Platform based services.

Cyber Security

Double digit Q-o-Q growth, led by strong demand in compliance requirements such as GDPR, privileged access management & cyber defence. Won a large engagement with a major global bank for privileged access management.

ignio™ automation lab in Chennai, and analytics lab in Mumbai were among significant investments in Digital Transformation Services during the quarter

Internet of Things

Very high client interest with **20+ initial engagements** in the areas of Connected Home, Mobility, Energy Management and Remote Monitoring.

Digital Interactive

Multi-million \$ deal wins for 2 insurance clients and an energy client.

Digital Investments

Client Parameters

Clients Contribution*	Q1 FY17	Q4 FY17	Q1 FY18
US\$ 1m+ Clients	847	897	905
US\$ 5m+ Clients	439	459	464
US\$ 10m+ Clients	298	310	322
US\$ 20m+ Clients	179	190	190
US\$ 50m+ Clients	77	84	85
US\$ 100m+ Clients	37	35	36

*Last Twelve Months' services revenues



Key Wins

- Selected as a strategic partner by large global Audit and Advisory firm to transform and manage their enterprise IT across five business groups using Agile and DevOps methodology.
- Chosen by a large UK life insurance company to transform its customer service and policy administration by leveraging TCS BaNCS Insurance platform
- Engaged by a European global paints company to transform their applications landscape to drive optimization through automation and continuous improvement.
- Selected by a leading natural gas and utility company in North America to transform into a digital utility with focus on speed to market and enhancing customer experience.
- Engaged to simplify the non-core business applications, transform customer experience through digital technologies and use analytics to predict customer behavior for a North American mortgage institution.
- Chosen by a large life insurance firm in Asia Pacific to transform its core systems for policy administration, claims and reinsurance business functions using TCS BaNCS insurance platform and delivered in a 'Software as a Service' model.
- Selected as strategic partner by North America-based global biopharma company to provide IT, networks and security services.
- Chosen by a global leader in innovative workforce solutions as their strategic partner to provide technology managed services for their global IT and infrastructure.
- Engaged by a North American metals major to completely transform its IT environment to cloud and hosted services model.
- Selected by an European based producer of environment-friendly fertilizers to transform their end-user computing architecture and service delivery model and support their digitalization agenda.
- Chosen as a strategic partner to Implement TCS BaNCS as a multi-asset class clearing and settlement solution for a Market Infrastructure provider in North America

Key Wins in Digital Services and Solutions

- Chosen by a European global engineering company to develop an IoT platform for predictive maintenance and monitoring of remote machinery across geographies.
- Selected by a North American retail firm to ensure customer centric shopping experience on its channels using Enterprise Cloud technologies
- Engaged by a global finance services organization to consult on cloud strategy and roadmap.
- Selected by a North American consumer products conglomerate to drive their data center transformation program using TCS proprietary IoT solutions.
- Selected by a European food and health retail major to empower customers by using real-time spend analytics solution using Big Data technologies.
- Engaged by a European financial services corporation to consult and create a blue print for a futuristic analytics platform using TCS proprietary Big Data methodology
- Chosen as a strategic partner by a North American manufacturing firm to build an Industry 4.0 IoT platform to help predict and deliver personalized offerings for their end customers
- Engaged by a European multinational clothing retail company as a strategic partner for their digital marketing program
- Selected by a UK based global insurance company to transform customer on-boarding using digital interactive services

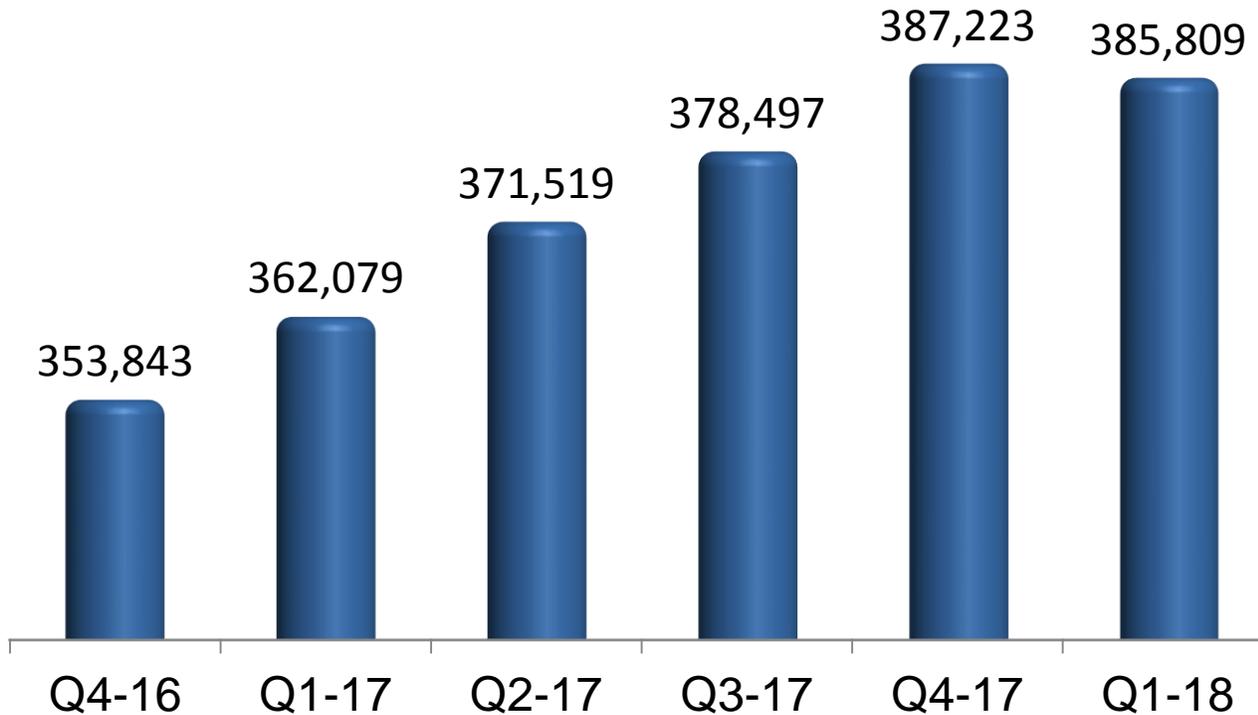


Human Resources



Total Employee Base

Total Employees : 385,809



Attrition*:

- 11.6% (LTM), IT Services
- 12.4% (LTM), including BPS

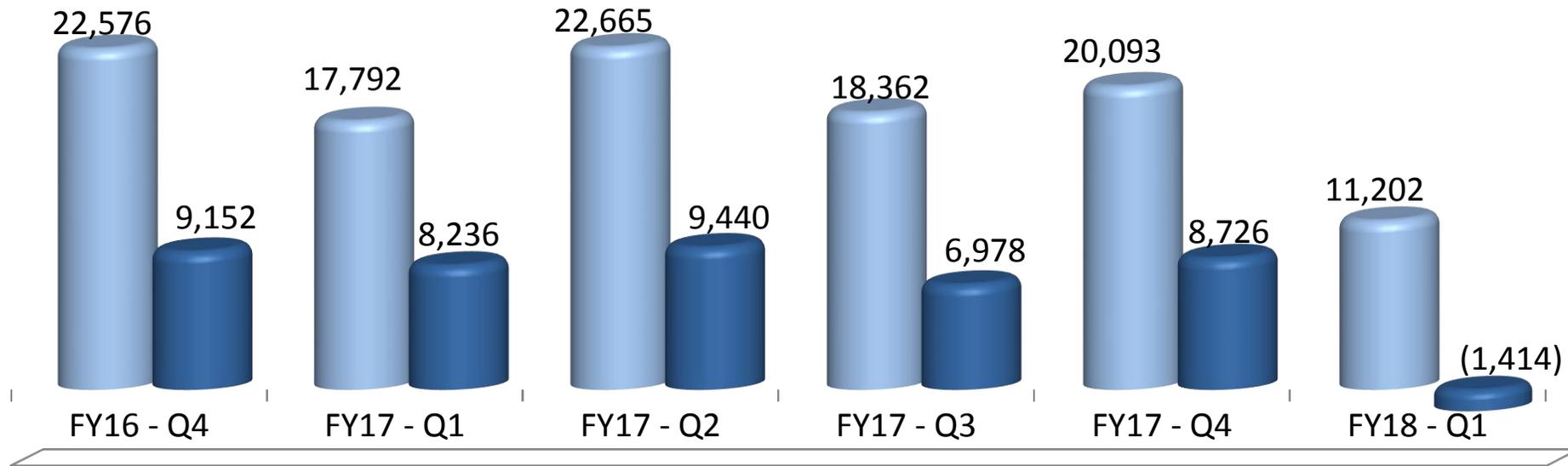
Diversity:

- Women employees: 34.8%
- Nationalities: 134

* Excluding Subsidiaries

Employee Addition

Q1 FY 2018	FY 2018 (YTD)
<ul style="list-style-type: none"> Gross additions: 11,202 employees India: <ul style="list-style-type: none"> 1,659 Trainees 6,289 Laterals 3,254 employees overseas 	<ul style="list-style-type: none"> Gross additions: 11,202 employees India: <ul style="list-style-type: none"> 1,659 Trainees 6,289 Laterals 3,254 employees overseas
Net additions: -1,414 employees	• Net additions: -1,414 employees



■ Gross Additions

■ Net Additions



Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Revenue	293,050	296,420	295,840	100.00	100.00	100.00
Cost of revenue	168,020	166,730	172,910	57.33	56.25	58.45
Gross margin	125,030	129,690	122,930	42.67	43.75	41.55
SG & A expenses	51,560	53,420	53,790	17.60	18.02	18.18
Operating income	73,470	76,270	69,140	25.07	25.73	23.37
Other income (expense), net	9,630	9,890	9,320	3.29	3.34	3.15
Income before income taxes	83,100	86,160	78,460	28.36	29.07	26.52
Income taxes	19,920	19,940	18,960	6.80	6.73	6.40
Income after income taxes	63,180	66,220	59,500	21.56	22.34	20.12
Minority interest	10	140	50	0.00	0.05	0.02
Net income	63,170	66,080	59,450	21.56	22.29	20.10
Earnings per share in ₹	32.06	33.52	30.40			

COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Employee cost	116,210	117,400	121,520	39.66	39.61	41.08
Fees to external consultants	21,420	19,200	19,530	7.31	6.48	6.60
Equipment and software	6,780	7,050	7,250	2.31	2.38	2.45
Facility expenses	5,890	5,510	6,310	2.01	1.86	2.13
Depreciation	3,590	3,710	3,770	1.22	1.25	1.28
Travel	4,570	4,330	4,900	1.56	1.46	1.66
Communication	2,190	1,810	1,950	0.74	0.61	0.66
Other expenses	7,370	7,720	7,680	2.52	2.60	2.59
Cost of Revenue	168,020	166,730	172,910	57.33	56.25	58.45

SGA	₹ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Employee cost	37,530	39,530	40,310	12.81	13.33	13.63
Fees to external consultants	1,530	1,480	1,580	0.52	0.50	0.54
Facility expenses	3,400	3,590	3,350	1.16	1.21	1.13
Depreciation	1,320	1,350	1,210	0.45	0.46	0.41
Travel	2,730	2,600	2,650	0.93	0.88	0.90
Communication	780	640	780	0.27	0.22	0.27
Provision for Doubtful Debts	490	300	320	0.17	0.10	0.10
Other expenses	3,780	3,930	3,590	1.29	1.32	1.20
S G & A expenses	51,560	53,420	53,790	17.60	18.02	18.18

Cash Flow Summary

IFRS in ₹ Mn	Q1 FY17	Q4 FY17	Q1 FY18
Net Cash from Operations	58,700	74,540	61,700
Capital Expenditure	6,080	5,100	5,830
Free Cash Flow	52,620	69,440	55,870
Dividends Paid	53,440	15,270	60,740
Buy Back (incl. expenses)	-	-	160,420
Operating Cash Flow to Sales (%)	20.0	25.1	20.9
Operating Cash Flow to Net Profit (%)	92.9	112.8	103.8

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-17		30-Jun-17	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	117,410	11.14	120,110	13.36
Intangible assets and Goodwill	37,680	3.58	38,000	4.23
Accounts Receivable	226,840	21.53	226,950	25.23
Unbilled Revenues	53,510	5.08	60,950	6.77
Investments	419,800	39.85	278,630	30.98
Cash and Cash equivalents	35,970	3.41	39,540	4.40
Other current assets	72,580	6.89	46,210	5.14
Other non current assets	89,740	8.52	88,960	9.89
Total assets	1,053,530	100.00	899,350	99.99
Liabilities and Shareholders' Equity				
Shareholders' Funds	883,150	83.83	723,280	80.42
Long term borrowings	710	0.07	620	0.07
Short term borrowings	2,180	0.21	210	0.02
Other current liabilities	142,940	13.56	151,120	16.80
Other non-current liabilities	20,890	1.98	20,680	2.30
Minority Interest	3,660	0.35	3,440	0.39
Total Liabilities	1,053,530	100.00	899,350	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Revenue	4,362	4,452	4,591	100.00	100.00	100.00
Cost of revenue	2,501	2,504	2,683	57.33	56.25	58.45
Gross margin	1,861	1,948	1,908	42.67	43.75	41.55
SG & A expenses	768	802	835	17.60	18.02	18.18
Operating income	1,093	1,146	1,073	25.07	25.73	23.37
Other income (expense), net	143	148	145	3.29	3.34	3.15
Income before income taxes	1,236	1,294	1,218	28.36	29.07	26.52
Income taxes	296	300	294	6.80	6.73	6.40
Income after income taxes	940	994	924	21.56	22.34	20.12
Minority interest	0	2	1	0.00	0.05	0.02
Net income	940	992	923	21.56	22.29	20.10
Earnings per share in \$	0.48	0.50	0.47			



COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Employee cost	1,730	1,763	1,886	39.66	39.61	41.08
Fees to external consultants	319	288	303	7.31	6.48	6.60
Equipment and software	101	106	113	2.31	2.38	2.45
Facility expenses	88	83	98	2.01	1.86	2.13
Depreciation	53	56	59	1.22	1.25	1.28
Travel	68	65	76	1.56	1.46	1.66
Communication	32	27	30	0.74	0.61	0.66
Other expenses	110	116	118	2.52	2.60	2.59
Cost of Revenue	2,501	2,504	2,683	57.33	56.25	58.45

SGA	\$ Million			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Employee cost	558	594	626	12.81	13.33	13.63
Fees to external consultants	23	22	25	0.52	0.50	0.54
Facility expenses	51	54	52	1.16	1.21	1.13
Depreciation	20	20	19	0.45	0.46	0.41
Travel	41	39	41	0.93	0.88	0.90
Communication	12	10	12	0.27	0.22	0.27
Provision for Doubtful Debts	7	4	5	0.17	0.10	0.10
Other expenses	56	59	55	1.29	1.32	1.20
SG&A expenses	768	802	835	17.60	18.02	18.18



IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-17		30-Jun-17	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,811	11.15	1,857	13.36
Intangible assets and Goodwill	581	3.57	588	4.23
Accounts Receivable	3,498	21.53	3,509	25.23
Unbilled Revenues	825	5.08	942	6.77
Investments	6,474	39.84	4,307	30.97
Cash and Cash equivalents	555	3.42	611	4.39
Other current assets	1,119	6.89	716	5.15
Other non current assets	1,385	8.52	1,376	9.90
Total assets	16,248	100.00	13,906	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	13,619	83.82	11,182	80.41
Long term borrowings	11	0.07	10	0.07
Short term borrowings	34	0.21	3	0.02
Other current liabilities	2,204	13.56	2,338	16.81
Other non-current liabilities	323	1.99	319	2.30
Minority Interest	57	0.35	54	0.39
Total Liabilities	16,248	100.00	13,906	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore			% of Revenue		
	Q1 FY17	Q4 FY17	Q1 FY18	Q1 FY17	Q4 FY17	Q1 FY18
Revenue	29,305	29,642	29,584	100.00	100.00	100.00
Expenditure						
a) Employee Costs	15,374	15,692	16,183	52.46	52.94	54.70
b) Other Operating expenses	6,094	5,818	5,988	20.80	19.63	20.24
c) Depreciation	490	505	499	1.67	1.70	1.69
Total Expenditure	21,958	22,015	22,670	74.93	74.27	76.63
Profit Before Taxes & Other Income	7,347	7,627	6,914	25.07	25.73	23.37
Other income (expense), net	963	989	932	3.29	3.34	3.15
Profit Before Taxes	8,310	8,616	7,846	28.36	29.07	26.52
Provision For Taxes	1,992	1,994	1,896	6.80	6.73	6.40
Profit After Taxes & Before Minority Interest	6,318	6,622	5,950	21.56	22.34	20.12
Minority Interest	1	14	5	0.00	0.05	0.02
Net Profit	6,317	6,608	5,945	21.56	22.29	20.10
Earnings per share in ₹	32.06	33.52	30.40			

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-17	30-Jun-17	31-Mar-17	30-Jun-17
ASSETS				
Property, plant and equipment	11,645	11,901	11.28	13.55
Investments	41,980	27,863	40.66	31.72
Deferred tax assets (net)	2,828	2,939	2.74	3.35
Goodwill (on consolidation)	1,597	1,642	1.55	1.87
Cash and Bank Balance	4,149	4,525	4.02	5.15
Current Assets, Loans and Advances	34,741	32,840	33.65	37.39
Non-current assets, Loans and advances	6,312	6,121	6.10	6.97
Total Assets	103,252	87,831	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	86,214	70,224	83.50	79.95
Minority Interest	366	344	0.35	0.39
Short term and long term borrowings	271	62	0.26	0.07
Deferred tax liabilities (net)	919	900	0.89	1.02
Current liabilities and provisions	14,312	15,133	13.86	17.23
Non-current liabilities and provisions	1,170	1,168	1.14	1.34
Total Liabilities	103,252	87,831	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue		₹ Cr.
	Q4 FY17	Q1 FY18	Q4 FY17	Q1 FY18	Q1 FY18
USD	66.58	64.44	56.26%	55.62%	(543)
GBP	82.87	82.61	11.86%	11.98%	14
EUR	71.10	71.78	8.00%	8.57%	25
Others			23.88%	23.83%	(152)
Total			100.00%	100.00%	(656)

FY17 Revenue by Verticals

Vertical (%)	% Revenue				Q-o-Q CC Growth			
	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17
BFSI	33.3	33.6	33.9	32.9	4.7	2.2	2.7	-2.2
Retail & CPG	13.5	13.0	13.0	12.3	1.7	-3.0	1.6	-4.4
Communication & Media	7.0	7.2	6.7	7.2	8.3	3.3	-4.7	8.8
Manufacturing	7.3	7.3	7.4	7.4	5.4	2.6	2.1	1.5
Life Sciences & Healthcare	6.8	7.0	6.9	6.9	5.5	3.9	-0.6	2.2
Energy & Utilities	3.6	3.7	3.6	3.7	4.6	5.1	2.8	3.4
Travel & Hospitality	3.2	3.3	3.2	3.4	6.8	2.3	2.4	4.1
Technology & Services	7.8	7.7	7.8	7.8	1.9	1.5	0.5	2.2
Regional Markets & Others	17.5	17.2	17.5	18.4	-2.5	-1.9	5.3	6.1
Total	100.0	100.0	100.0	100.0	3.1	1.0	2.0	1.0

For better visibility of trends in our core markets, the vertical break-up of revenues has been recast, extracting out volatile, project-centric businesses such as India, MEA, APAC ex-Australia and products and platforms into a separate line item



Thank You

IT Services
Business Solutions
Consulting

